

Message Text

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E.O. 11652: N/A
TAGS: ECON, TU
SUBJECT: CONFERENCE BOARD DISCUSSES TURKEY'S ECONOMIC PROSPECTS

1. ECONOMIC AND SOCIAL CONFERENCE BOARD, A HIGHLY REGARDED BUSINESS ORIENTED ORGANIZATION, SPONSORED A SEMINAR ON THE TURKISH ECONOMY DECEMBER 14. MEETING WAS OF REPORTING INTEREST PRECISELY BECAUSE PANELISTS, MOSTLY ACADEMIC ECNOMISTS, HAD NO NEW (OR RADICAL) SOLUTIONS TO OFFER INDICATING THAT THERE IS A CONSENSUS ON WHAT CAUSED THE PRESENT CRISIS AND THATAUSTERITY IS NECESSARY FOR ITS RESOLUTION. STRUCTURAL ECONOMIC PROBLEMS WERE CLEARLY RECOGNIZED (OBSERVATIONS INCLUDE ESTIMATE THAT LIRA IS OVERVALUED BY AS MUCH AS ONE HUNDRED PERCENT, WORKER REMITTANCES WILL CONTINUE TO DECLINE IN IMPORTANCE AS SOURCE OF FOREIGN EXCHANGE, AND THAT CURRENT "PUBLIC OPINION BASED" ECONOMIC POLICIES WILL RESULT IN INDUSTIRAL STAGNATION IN FIRST QUARTER 1978). STABILIZATION POLICIES PROPOSED BY PARTICIPATING ECONOMISTS NOT ONLY ARE OF THE TYPE LIKELY TO BE WELCOMED BY THE IMF, BUT IN SOME CASES GO WELL BEYOND WHAT THE IMF IS REPORTEDLY SUGGESTING.

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2. ALTHOUGH FOREGOING DOES NOT IMPLY COMPLETE AGREEMENT AMONG BUSINESS ORIENTED ECONOMISTS, IT DOES SUGGEST THAT MANY IF NOT MOST TAKE A FAIRLY REALISTIC ATTITUDE TOWARD TURKEY'S ECONOMIC/ FINANCIAL DIFFICULTIES. THEY FURTHER ADD, TO THE CLEARLY LIMITED EXTENT OF THEIR INFLUENCE, TO PRIVATE SECTOR BUSINESS EMPHASIS TO THE GOT (AND PERHAPS TO THE POLITICAL OPPOSITION) THAT DECISIVE ACTION IS OVERDUE.

3. MAIN POINTS MADE BY SEMINAR PARTICIPANTS WERE: (A) 1977 ECONOMIC PERFORMANCE WILL FALL CONSIDERABLY SHORT OF GOALS, AND EVEN MODEST 1978 DEVELOPMENT PLANS ARE UNREALISTIC BECAUSE OF FINANCING AND IMPORT LIMITATIONS; (B) ALTHOUGH INFLATION RATE MAY DECLINE IN 1978, UNEMPLOYMENT WILL CONTINUE TO INCREASE; (C) REALISTIC GROWTH RATE PROJECTIONS CANNOT EXCEED 3 TO 4 PERCENT IN THE MEDIUM TERM; (D) PATTERN OF INDUSTRIAL DEVELOPMENT HAS BEEN CHARACTERIZED BY MISALLOCATION OF RESOURCES--IN THE FUTURE AGRICULTURE, WHICH IS MORE PRODUCTIVE, SHOULD BE GIVEN HIGHER PRIORITY; (E) CAPITAL INVESTMENTS HOULD BE CONCENTRATED IN THE INFRASTRUCTURE FIELD; (F) PUBLIC AGENCIES AND ENTERPRISES SHOULD BE SUBJECT TO EXTREME DISCIPLINE IN ORDER TO STAY WITHIN THE PROPOSED 1978 BUDGET AND TO MINIMIZE TREASURY SUBSIDIES; (G) SUBSTANTIAL DEVALUATION SHOULD BE ACCOMPANIED BY MORE EFFECTIVE MONETARY POLICY AND IMPROVED TAX ADMINISTRATION.
HOUGHTON

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